

ANNUAL REPORT
OF THE
PRINCE EDWARD ISLAND
LOTTERIES COMMISSION
FOR THE YEAR ENDING
MARCH 31, 2003



TO HIS HONOUR

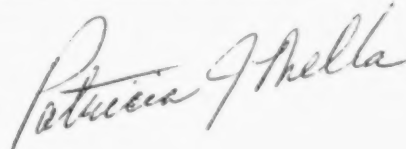
THE HONOURABLE J. LEONCE BERNARD
Lieutenant Governor of the Province of
Prince Edward Island

May It Please Your Honour:

In accordance with the Lotteries Commission Act [R.S.P.E.I. 1988, Cap. L-17], I respectfully submit herewith, for the information of Your Honour and the Legislature of Prince Edward Island, the Annual Report of the Prince Edward Island Lotteries Commission for the fiscal year ended 31 March, 2003.

I have the honour to be Sir:

Your Obedient Servant,

A handwritten signature in cursive script, reading "Patricia J. Mella".

Patricia J. Mella
Chairperson
P.E.I. Lotteries Commission



COMMISSION DES LOTERIES DE L'ÎLE-DU-PRINCE-ÉDOUARD

RAPPORT ANNUEL

Exercice financier se terminant le 31 mars 2003

APERÇU DE L'EXERCICE 2002-2003

CONTEXTE

C'est en 1976, en vertu de la *Lotteries Commission Act*, que l'on crée la Commission des loteries de l'Île-du-Prince-Édouard, dont le mandat vise la conception, l'organisation, la tenue et la gestion d'activités de loterie au nom du gouvernement provincial. Cette commission a quant à elle délégué ses fonctions à son agent, la Société des loteries de l'Atlantique.

La Société des loteries de l'Atlantique a elle aussi été fondée en 1976, en vertu de la Loi canadienne sur les sociétés par actions; les quatre provinces de l'Atlantique en sont d'ailleurs les actionnaires. Chaque gouvernement provincial dispose en outre d'une législation sur les loteries et jeux de hasard, que la Société des loteries de l'Atlantique doit respecter dans le cadre de ses activités.

RENDEMENT FINANCIER

Dans le cadre de l'exercice 2002-2003, la Société des loteries de l'Atlantique a remis un bénéfice net de 17 345 112 \$ à l'Île-du-Prince-Édouard pour ses activités de loterie. Ces fonds sont annuellement inscrits dans les recettes générales du gouvernement, qui s'en sert pour financer les nombreux services auxquels les Insulaires s'attendent et dont ils ont besoin.

Les 17 345 112 \$ versés au gouvernement provincial en 2002-2003 constituent une hausse du produit des loteries d'environ 14,2 % par rapport aux 15 190 587 \$ obtenus en 2001-2002. Cette croissance générale est due à une augmentation d'environ 5 % du produit de la loterie vidéo et de 25,2 % du produit des loteries traditionnelles (billets).

L'augmentation importante du produit des loteries traditionnelles est en grande partie attribuable aux importants gros lots proposés par la loterie nationale Super 7, ceux-ci ayant suscité un engouement certain, tant chez les Insulaires que chez les autres Canadiens. D'autre part, la réduction des coûts d'exploitation, ce qui a nécessairement engendré des recettes accrues pour la Société des loteries de l'Atlantique, justifie en grande partie l'augmentation du produit de la loterie vidéo, la Société assumant depuis le 1^{er} janvier 2003 les frais d'acquisition et

d'exploitation des appareils de loterie vidéo.

En plus du financement de certains services gouvernementaux à la population, les activités de loterie de 2002-2003 à l'Île-du-Prince-Édouard ont aussi eu des retombées importantes. En effet, cette année, des Insulaires ont gagné un total d'un peu plus de 20,9 millions de dollars en lots aux loteries traditionnelles. Pendant l'exercice, on a également versé 7,8 millions de dollars en commissions aux détaillants, aux établissements et aux propriétaires, donc principalement à de petites entreprises, réparties dans toute la province.

Le Tableau 1 fournit la distribution du bénéfice pour l'Île-du-Prince-Édouard selon le type d'activités de loterie pour les exercices 2001-2002 et 2002-2003.

COURSES ATTELÉES

La Commission des loteries a de nouveau offert un soutien financier à l'industrie des courses attelées de l'Île-du-Prince-Édouard en 2002-2003, avec l'injection de 933 600 \$ tirés du produit des loteries. Cette industrie fait partie du patrimoine socioculturel de la province, en plus d'y jouer un rôle économique important. Son incidence sur la vie urbaine et rurale à l'Île-du-Prince-Édouard est donc positive.

LOTÉRIE VIDÉO

On a apporté des changements à l'exploitation de la loterie vidéo à l'Île-du-Prince-Édouard en 2002-2003. En effet, depuis le 1^{er} janvier 2003, la Société des loteries de l'Atlantique est devenue le seul propriétaire et exploitant autorisé des appareils de loterie vidéo dans la province, en vertu de la *Lotteries Commission Act*. Cette modification a permis d'aligner les activités provinciales de loterie vidéo à celles des autres provinces de l'Atlantique, en plus de se traduire par une réduction des coûts d'exploitation.

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

ANNUAL REPORT

For the Fiscal Year Ending 31 March 2003

OVERVIEW FOR FISCAL YEAR 2002-2003

BACKGROUND

The P.E.I. Lotteries Commission was established in 1976 under the *Lotteries Commission Act*. The Commission's mandate is to develop, organize, undertake, conduct and manage lottery schemes on behalf of the Province. The Commission has, in turn, delegated these duties to its agent, the Atlantic Lottery Corporation.

The Atlantic Lottery Corporation was incorporated in 1976 under the *Canada Business Corporation's Act*. The Corporation is jointly owned by the four Atlantic Provinces. Each Province has lottery and gaming legislation in place, with supporting regulations, which must be complied with by the Atlantic Lottery Corporation in its operation of lottery games in each jurisdiction.

FINANCIAL PERFORMANCE

Prince Edward Island's share of revenue generated through the operation of lottery programs by the Atlantic Lottery Corporation during fiscal 2002-03 was \$17,345,112. These funds are placed in the Province's general revenues, where they are used to fund the many services Islanders require and expect from their Provincial Government.

The \$17,345,112 in lottery revenue received in fiscal 2002-03 represents an increase of approximately 14.2 percent over the fiscal 2001-02 total of \$15,190,587. This overall revenue growth is the result of increases of approximately 5 percent in Video Lottery Program revenue and 25.2 percent in Traditional (ticket) Program revenue.

The substantial increase in Traditional Program revenue was largely the result of a number of large Super 7 national game jackpots, which created very strong interest and activity among Islanders and other Canadians alike. In the case of the growth in Video Lottery Program revenue, a substantial portion of the increase can be attributed to lower operating costs and, thereby, higher revenue resulting from the Atlantic Lottery Corporation taking on responsibility for the ownership and operation of the Video Lottery Terminals on January 1, 2003.

Lottery activity in Prince Edward Island in fiscal 2002-03 also provided other benefits to Islanders in addition to those Provincial services directly funded by lottery revenue. Slightly more than \$20.9 million was won by Islanders who played ticket games during the year. A further \$7.8 million was also paid out as commissions to retailers, siteholders and owners during the fiscal year. These mostly small businesses are located throughout the Province.

Table 1 provides comparative information for Prince Edward Island on gross profit by program type for fiscal years 2001-02 and 2002-03.

HARNESS RACING

The Lotteries Commission again provided financial support to the Prince Edward Island harness racing industry in fiscal 2002-03 through the provision of \$933,600 in financial input from lottery revenues. The harness racing industry is part of Prince Edward Island's history and culture, as well as a significant component of the Province's economy. It impacts in a positive way in both rural and urban Prince Edward Island.

VIDEO LOTTERY PROGRAM

A change was made in the operation of the Video Lottery Program in Prince Edward Island during fiscal 2002-03. Effective January 1, 2003, the Atlantic Lottery Corporation became the only authorized owner and operator of authorized video lottery devices in Prince Edward Island in accordance with the *Lotteries Commission Act*. This change brought the operation of the Video Lottery Program in this Province into line with that of the other Atlantic Provinces. It also resulted in a decrease in Program operating costs.

TABLE 1
ALLOCATION OF GROSS PROFIT BY
GAME TYPE - PRINCE EDWARD ISLAND
(MILLIONS)

	2003			2002		
	Video Lottery \$	Ticket Games \$	Total \$	Video Lottery \$	Ticket Games \$	Total \$
Gross ticket sales	-	38.5	38.5	-	32.5	32.5
Net video lottery receipts	<u>15.7</u>	<u>-</u>	<u>15.7</u>	<u>14.4</u>	<u>-</u>	<u>14.4</u>
	15.7	38.5	54.2	14.4	32.5	46.9
<u>Direct Expenses:</u>						
Prizes on ticket sales	-	20.9	20.9	-	17.3	17.3
Commissions	5.1	2.7	7.8	5.4	2.3	7.7
Ticket printing	<u>0.4</u>	<u>1.0</u>	<u>1.4</u>	<u>-</u>	<u>0.9</u>	<u>0.9</u>
	<u>5.5</u>	<u>24.6</u>	<u>30.1</u>	<u>5.4</u>	<u>20.5</u>	<u>25.9</u>
Gross Profit	<u>10.2</u>	<u>13.9</u>	<u>24.1</u>	<u>9.0</u>	<u>12.0</u>	<u>21.0</u>

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

1. COMMISSION ESTABLISHED

The Lotteries Act (L.P.E.I. 1976, Cap. 20), enacted by the Legislative Assembly at its 1976 Session and given Royal Assent on 22 April 1976, provided for the establishment of a P.E.I. Lotteries Commission. The Act was proclaimed via Order-in-Council No. EC673/76 for effect on 24 July 1976.

2. OFFICERS AND MEMBERS

As of March 31, 2003, the members and officers of the P.E.I. Lotteries Commission were: Honourable Patricia J. Mella, Chair, Michael L. O'Brien, Vice-Chair, and Ginger Breedon, Secretary-Treasurer.

Mr. O'Brien and Mr. Breedon were also Prince Edward Island's representatives as Directors on the Atlantic Lottery Corporations's Board of Directors.

3. BYLAWS OF THE COMMISSION

In addition to the requirements of the Lotteries Act, the Commission is governed by its Bylaws which were approved by the Lieutenant Governor in Council on 26 August 1976 via EC794/76.

4. AGREEMENTS

As provided in Section 7 of the Act, subsections (b) and (c), the Commission has recommended three agreements for the consideration of the Lieutenant Governor in Council, all of which were approved and subsequently entered into by the Commission.

1. EC796/76 of 26 August 1976, an agreement with the Provinces of Nova Scotia, New Brunswick and Newfoundland to establish and operate a regional lottery.
2. EC797/76 of 26 August 1976, an agreement for the establishment of the Atlantic Lottery Corporation.
3. EC2000/380 of 4 July 2000, an agreement to amend and restate the unanimous Shareholders' Agreement governing the conduct and management of lottery schemes in the Atlantic Provinces.

5. LOTTERIES OPERATED OR SANCTIONED

The P.E.I. Lotteries Commission did not, itself, directly operate any lotteries during the fiscal year 2002-03. However, a number of lottery games sanctioned by the Commission and developed and managed on behalf of the Commission by the Atlantic Lottery Corporation were in operation during the fiscal year. These included Loto 6/49, Super 7, TAG, Pik 4, Atlantic Choice (Atlantic Keno), Atlantic 6/49, Sports Select and various instant pick and breakopen games.

On-line video lotteries were also available.

6. FINANCIAL REPORT

The Financial Statements of the Prince Edward Island Lotteries Commission, as prepared by the Auditor General's Office, follow as part of this report.

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2003

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

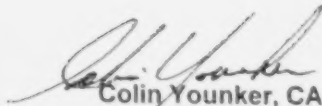
AUDITOR'S REPORT

To the Members of the
Prince Edward Island Lotteries Commission

I have examined the balance sheet of the Prince Edward Island Lotteries Commission as at March 31, 2003 and the statement of operations for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.


Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
June 23, 2003

STATEMENT 1

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

BALANCE SHEET

MARCH 31, 2003

	<u>2003</u>	<u>2002</u>
ASSETS		
CURRENT ASSETS		
Due from Atlantic Lottery Corporation Inc.	<u>\$436,777</u>	<u>\$167,116</u>
OTHER ASSETS		
Share in Atlantic Lottery Corporation Inc. - at cost	100	100
Share in Interprovincial Lottery Corporation - at cost	<u>1</u>	<u>1</u>
	<u>101</u>	<u>101</u>
	<u>\$436,878</u>	<u>\$167,217</u>
LIABILITY		
CURRENT LIABILITY		
Due to Province of Prince Edward Island	<u>\$436,878</u>	<u>\$167,217</u>

(The accompanying note is an integral part of these financial statements.)

SIGNED ON BEHALF OF THE COMMISSION:

Patricia J. Thella

Angie Hudson

STATEMENT 2

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2003

	<u>2003</u>	<u>2002</u>
REVENUE		
Distribution of Atlantic Lottery Corporation Inc. net profit - Note 1	<u>\$17,345,112</u>	<u>\$15,190,587</u>
EXPENSES - Note 1		
Remittance to Province of Prince Edward Island	16,411,512	14,249,373
Grant to P.E.I. Harness Racing Industry Association	<u>933,600</u>	<u>941,214</u>
	<u>17,345,112</u>	<u>15,190,587</u>
NET OF REVENUE AND EXPENSES	<u>\$ -</u>	<u>\$ -</u>

(The accompanying note is an integral part of these financial statements.)

PRINCE EDWARD ISLAND LOTTERIES COMMISSION

NOTE TO FINANCIAL STATEMENTS

MARCH 31, 2003

1. Description of Business

The Government of Prince Edward Island operates no lotteries but the Province, through its ownership of the Prince Edward Island Lotteries Commission, is a shareholder in the Atlantic Lottery Corporation Inc. and in the Interprovincial Lottery Corporation. The Atlantic Lottery Corporation Inc. is jointly owned by the four Atlantic Provinces or their lottery agencies, and is responsible to develop, organize, undertake, conduct and manage lotteries in Atlantic Canada. The Atlantic Lottery Corporation Inc. also markets and handles regionally the products of the Interprovincial Lottery Corporation, which is jointly owned by the ten Canadian provinces. Investments in the Atlantic Lottery Corporation Inc. and in the Interprovincial Lottery Corporation are carried at cost, and their net profits are distributed to the shareholders.

The profit of the Atlantic Lottery Corporation Inc. is distributed to each of the four Atlantic Provinces or their lottery agencies. The distribution to each province consists of the calculated profit in each province as determined by the Amended and Restated Unanimous Shareholders' Agreement.